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From:

Sent: Monday, April 16, 2012 1:51:56 PM

To:

Cc:

Subject: RE: Tefra or Non Tefra?

If the S corporation elected to make its subsidiary a qualified subchapter S subsidiary under section 1361(b)(3)(B) and Treas. Reg. 1.1361-3, before the year in issue, then the subsidiary would be treated as a disregarded entity whose items are reported on the parent S corporation return. The existence of a disregarded entity as a partner takes the partnership out of the small partnership exception to TEFRA under Rev. Rul. 2004-88.